

State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

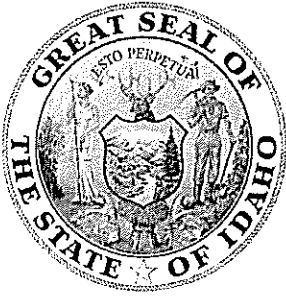
IDAHO DEPARTMENT OF LANDS

FY 2007, 2008, AND 2009

Report IC32009

Date Issued: November 23, 2010

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, CGFM, Manager

IDAHO DEPARTMENT OF LANDS

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Idaho Department of Lands covering the fiscal years ended June 30, 2007, 2008, and 2009. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the programs reviewed.

FINDINGS AND RECOMMENDATIONS

There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE

The Department has reviewed the report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

IDAHO DEPARTMENT OF LANDS— FISCAL YEAR 2009

Fund	Fund Number	Beginning Cash/ Appropriation		Plus Net Transfers	Less Disbursements	Ending Cash/ Appropriation Balance
		Balance	Plus Receipts			
General Fund	0001	\$5,390,520	\$50,309	\$0	\$5,175,450	\$265,379
Fish & Game Account	0050	0	350,912	(350,912)	0	0
Special Revenue	0075	8,048,537	7,649,045	546,578	6,515,352	9,728,808
Fire Suppress. (Def. Warrants)	0076	5,215,290	2,366,990	0	14,784,325	(7,202,045) *
Indirect Costs	0125	782,867	379,520	0	188,320	974,067
State Highway Account	0260	0	1,461	(1,461)	0	0
Federal Fund	0348	1,168,501	5,516,279	0	5,693,717	991,063
Miscellaneous Fund	0349	116,261	6,095	(3,360)	0	118,996
Permanent Building Fund	0365	0	3,425	(3,425)	0	0
Land and Buildings Rental	0425	45,430	0	0	45,430	0
Endow. Earnings Reserve Fund	0482	16,691,278	60,617,875	(35,883,677)	24,673,335	16,752,141
Community Forestry Trust Acct.	0495	46,259	11,552	0	9,401	48,410
Park Land Trust	0496	0	14,324	(14,324)	0	0
Employment Compensation	0514	0	1,256,483	(1,256,483)	0	0
Planning & Development	0521	20,914	0	0	0	20,914
Endowment Fund	0526	233,064	4,366,504	(4,350,754)	172,217	76,597
Land Bank	0527	3,436,076	77,619	0	353,315	3,160,380
Totals		\$41,194,997	\$82,668,393	(\$41,317,818)	\$57,610,862	\$24,934,710

*Fund 0076 (Fire Suppression) is authorized by Idaho Code, Sections 38-131 and 38-131A to issue deficiency warrants to pay for the cost of fighting forest fires on State land.

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Department of Lands and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, George Bacon, and his staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor

J.E. Bowden, CPA, In-Charge Auditor

Brian Butkus, Staff Auditor

Brinton Croff, Staff Auditor

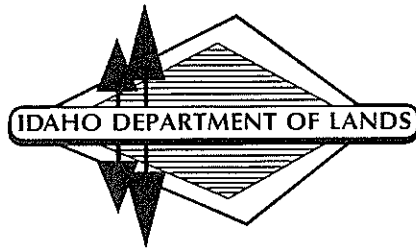
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AGENCY RESPONSE

**ADMINISTRATION
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GEORGE B. BACON, DIRECTOR
EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF LAND COMMISSIONERS

*C.L. "Butch" Otter, Governor
Ben Ysursa, Secretary of State
Lawrence G. Wasden, Attorney General
Donna M. Jones, State Controller
Tom Luna, Sup't of Public Instruction*

October 27, 2010

Don Berg, CGFM, Division Manager
Legislative Service Office – Audit Division
P.O. Box 83720
Boise, ID 83720-0054

Re: Fiscal Years 2007, 2008, 2009

The Department of Lands has received the draft audit report for the period covering Fiscal Years 2007, 2008, and 2009.

We have reviewed the report and are in general agreement with its contents.

Sincerely,

A handwritten signature in black ink, appearing to read "George B. Bacon". The signature is fluid and cursive, with the first and last names being more prominent.

George B. Bacon
Director

APPENDIX

HISTORY

The Department of Lands was created in 1895 to perform the constitutional functions given to the State Board of Land Commissioners concerning the management of grant lands. These lands were set aside by the Organic Act for the Territory of Idaho and the Idaho Admission Act.

A total of 3,650,763 acres was granted to Idaho in 1890, and was distributed to 9 endowment trusts: Public School, Normal School, Penitentiary, Capitol, School of Science, State Hospital South, Agriculture College, Charitable Institution, and the University of Idaho.

STATUTORY AUTHORITY

The statutory authority of the State Board of Land Commissioners is found in Article 9 of the Constitution of the State of Idaho and in Idaho Code, Title 58, Chapter 1. The statutory base of the Department is found in Idaho Code, Title 58, Chapter 1.

PURPOSE

The purpose of the Department, consistent with the Idaho Admission Act, the Idaho State Constitution, Idaho statutes, and policies of the State Land Board follows:

1. Exercise management, protection, control, and disposition of State endowment lands and resources thereon. These lands shall be administered to maximize long-term financial return to the endowment institutions, consistent with sound long-term management practices based on land capabilities.
2. Exercise management protection, control, and disposition of the State-owned beds of navigable lakes, rivers, and streams in accordance with the Public Trust Doctrine to provide for their navigational, recreational, commerce, fishery, or other public trust use. These lands shall be administered for the greatest benefit to the public, not commerce alone or for economic reasons alone.
3. Perform regulatory functions in a consistent, fair, and impartial manner. Emphasis is placed on preventing or avoiding harm and abuse of land and resources, and is founded on educational and cooperative programs whenever possible.
4. Provide technical assistance, research support, and other cooperative services to the citizens of Idaho and governmental entities to enhance beneficial management and utilization of natural resources in an equitable and impartial manner.

LAND COMMISSIONERS

The administration of endowment lands is charged to the State Board of Land Commissioners by the Idaho State Constitution. The Board comprises the Governor, Secretary of State, Attorney General, State Controller, and Superintendent of Public Instruction, serving as trustees of the Endowment Trust. The director of the Department is the secretary for the Board.

DEPARTMENT OVERVIEW

The Department carries out the constitutional functions of the State Board of Land Commissioners with a permanent staff of about 265 employees, located in offices at Boise, Coeur d'Alene, and 14 supervisory areas across the State.

Activities of the Department are separated into two divisions: Lands, Minerals, and Range; and Forestry and Fire. Each division is headed by an assistant director.

The Lands, Minerals, and Range Division has separate Bureaus of Real Estate and Surface and Mineral Resources. The Forestry and Fire Division comprises Forest Management, Fire Management, and Forestry Assistance.

Fourteen supervisory areas are responsible for field operations. Area supervisors oversee ten fire protection districts that are responsible for slash disposal and fire control.

The Board of Scaling Practices is included in the Department for administrative purposes only.

ENDOWMENT REVENUE

Endowment revenues are produced from management activities on endowment trust lands. These include timber sales, grazing and crop land leases, recreational leases, and commercial property leases.

Revenue from these programs is deposited into the Earnings Reserve Fund. These funds are used to finance income-producing endowment land activities and to make distributions to beneficiary institutions. Amounts in excess of these needs are held in the fund to build a cushion against periods of reduced earnings.

Mineral royalties and land sales are deposited in permanent funds and are invested by the Endowment Fund Investment Board to support the trust beneficiaries.

SUPPORT SERVICES

The Support Services of the Department provides staff and general administrative support for human resources, financial management, legal services, and management information.

FOREST RESOURCES MANAGEMENT

The Forest Resources Program provides technical guidance; develops administrative procedures; and maintains a system of review for all programs relating to the protection, administration, improvement, and utilization of forest resources on State and private lands. These services include:

1. An annual timber sale program and supervision of the harvesting and measurement of these forest products from State endowment lands.
2. An intensive forest improvement program to enhance the productive capacity and manageability of State endowment lands.
3. Technical forest management assistance for private woodland owners.
4. Forest Practices Act administration.
5. Collection and dissemination of information on forest pests, and direction of control efforts to protect State and private forests from insects and disease.
6. Assistance to Idaho's cities and rural communities to help develop urban forestry programs.

LANDS, MINERALS, AND RANGE RESOURCE MANAGEMENT

This program manages endowment lands to generate income from crop lands, grazing, mineral resources, recreation sites, commercial enterprises, and other special surface uses of endowment lands. It also provides protection of the State's natural resources and public trust lands through active administration of the Lake Protection Act, Surface Mining Act, Dredge and Placer Act, and the Oil and Gas Conservation Commission Act.

The program administers a State land sale program that includes processing real property that has been declared surplus by other State agencies, maintaining land records for the Department and other State agencies, and overseeing the endowment land acquisition and disposal program.

FOREST AND RANGE FIRE PROTECTION

This program provides protection to the wildland resources of the State through prevention and preparedness, and through the rapid detection and suppression of wildfires. It also provides assistance to rural community fire departments, which in turn provide suppression assistance. It oversees management of fire, insect, and disease risks resulting from the harvesting of forest products.

State and private lands within the U.S. Forest Service and Bureau of Land Management (BLM) protection boundaries are protected by these agencies through cooperative agreements with the State of Idaho.

SCALING PRACTICES

The State Board of Scaling Practices comprises the Department director and four members appointed by the Governor. Members are selected from nominees recommended by generally recognized State forestry associations, as well as the Associated Logging Contractors of Idaho. The Board is responsible for ensuring the competency of logscalers. These responsibilities are carried out through the promulgation of standards of scaling and the testing and certification of scaling practitioners.

FUNDING

The Department is funded from various sources, including a General Fund appropriation, endowment funds, federal funds, and several miscellaneous revenues.

The following provides a description of funds used by the Department:

Fund 0001 – General Fund

The General Fund appropriation pays personnel costs, operating expenses, and capital outlay for the general operation of the Department, including fire protection of State and private forest and range lands; statewide administration of Forest Practices Act; and administration of navigable waters and lakebeds, and the endangered species programs.

Fund 0050 – Idaho Department of Fish and Game Fund

This fund is utilized to collect revenues from the sale of timber or land owned by the Department of Fish and Game. The proceeds of such sales are then transferred to the Department of Fish and Game for its use.

Fund 0075 – Special Revenue Fund

This fund is used to pay a variety of costs by fund detail. Costs include fire pre-suppression; administration and enforcement of the Forest Practices Act; supplemental personnel and operating costs for the Geographic Information Systems Bureau; reimbursement of time and travel expenses statewide, related to flooding and drought issues; salaries and expenses for State timber sale scaling; and special forest pest control projects approved by the State Board of Land Commissioners.

Fund 0076 – Fire Suppression (Deficiency) Fund

Warrants are drawn against this fund to defray the expenses of emergency fire suppression on lands protected by the State. This fund is used for the management and reduction of any fire hazard and for the protection of forest resources.

Fund 0125 – Indirect Costs Fund

This fund is used to collect indirect costs charged on federal grants, and is utilized to pay those costs.

Fund 0260 – State Highway Fund

This fund is used to track a timber sale for the Idaho Transportation Department (ITD). Funds from the sale are receipted and then passed through to ITD. This will be utilized as long as the sale is occurring.

Fund 0348 – Federal Fund

This fund receives money from federal sources and pays for specific projects as outlined in the grants. The primary source of federal funds is the U.S. Forest Service.

Fund 0349 – Miscellaneous Fund

This fund has two regular transactions each year for administering leases that are not State Endowment leases. The first is for the administration of the Idaho Botanical Gardens for the Idaho Historical Society, with funds passed to the Society. The second is a crop lease on land gifted to the School for the Deaf and Blind, with funds being passed to the School. Also, Fund 0349-21 was established in 2003 for Forest Legacy Monitoring, received as part of a conservation easement with landowners.

Fund 0365 – Permanent Building Fund

This is a geothermal lease to Department of Administration for the Capital Mall geothermal heating system. It consists of a rental rate, as well as a royalty rate, and is a 40-year lease that began in 1990.

Fund 0425 – Land and Building Rental Fund

This fund assesses an annual fee to the 80 owners or lessees in the Pilgrim Cove Subdivision on Payette Lake at McCall, Idaho. These funds are used solely for the maintenance or improvement of the water system.

Fund 0482 – Endowment Earnings Reserve Fund

Money received by this fund comes from grazing leases, recreation site leases, sale of timber, crop land leases, and commercial leases. Most of this money is invested by the Endowment Fund Investment Board to support the trust beneficiaries. A portion of this money is used for the maintenance and protection of State-owned lands.

Fund 0495 – Community Forestry Trust Account

Sources of revenue are donations, gifts, grants, and interest earned thereon, and is to be used for cost share grants to communities, counties, and others to promote tree planting.

Fund 0496 – Park Land Trust

This fund tracks funds from timber sales on Department of Parks and Recreation lands. All funds from the sales are transferred to the Department of Parks and Recreation.

Fund 0514 – Employment Compensation Fund

This fund is used to record land sales of the Department of Labor's surplus properties. Sale proceeds are transferred to the Department of Labor.

Fund 0521 – Planning and Development Fund

This fund was created during the 1971 legislative session with an appropriation of \$35,000, and another \$35,000 was appropriated during the 1972 legislative session. It is used to finance the planning and development of sewage systems on State lands, primarily to pay engineering costs.

Fund 0526 – Permanent Endowment Fund

Revenues are derived from proceeds from the sale of lands granted to the State by the federal government, estates or portions thereof that may escheat to the State, and mineral royalties. This money is invested by the Endowment Fund Investment Board to support the trust beneficiaries.

Fund 0527 – Land Bank Trust

Moneys received by this fund come from the sale of endowment lands. It is set aside to purchase new endowment property with the proceeds from endowment land sales. These funds revert to the Permanent Endowment Fund if not utilized within five years.

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